

Message Text

CONFIDENTIAL

PAGE 01 TEL AV 08848 011421Z

43

ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 EB-11 AID-20 AF-10 EA-11 COME-00

TRSE-00 DRC-01 /176 W

----- 004490

R 011302Z NOV 73

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 0373

C O N F I D E N T I A L TEL AVIV 8848

E.O. 11652 GDS

TAGS: ECON, IS

SUBJ: ISREALI ECONOMY AFTER THREE WEEKS OF
MOBILIZATION

1. SUMMARY. ECONOMY IS FULLY ON WAR FOOTING WITH
ESTIMATED 180,000 WORKERS MOVED INTO WAR-TIME HIGH-
PRIORITY JOBS REPLACING THOSE MOBILIZED. ONE UNRESOLVED
PROBLEM IS CLOSURE OF BAB-AL-MANDAB STRAIT, WHICH HAS
PARALYZED EILAT PORT; \$80 MILLION PER YEAR IN EXPORTS
LEAVES FROM ELLAT, WHILE IRANIAN OIL ENTERS THERE.
SLOWDOWN IN EXPORTS GENERALLY IS SQUEEZING EXPORTERS
FOR WORKING CAPITAL; BANK OF ISRAEL HAS AGREED TO EXTENSION
OF CREDITS TO EASE SHORT-TERM PROBLEM. REPAYMENT OF
MANY DEBTS IS ALSO FROZEN, COMPOUNDING BUSINESS LIQUIDITY
SHORTAGE. MANY SMALL BUSINESSES ARE OPERATING AT FRACTION
OF CAPACITY OR CLOSED DOWN AS RESULT OF MOBILIZATION OF
WORKERS. WAREHOUSES AT PORTS ARE CLOGGED FOR THIS REASON
AND FOR SHORTAGE OF TRUCKS. CONSTRUCTION IS STILL AT
STANDSTILL, WHILE TOURISM IS DOWN TO 25 PERCENT OF NORMAL.
ECONOMIC LEADERS CONTINUE TO PRESS FOR RELEASE FROM ARMY
OF KEY WORKERS, IN ORDER TO GET ECONOMIC ACTIVITY RESTARTED.
MIN TRANSPORT PERES HAS BEEN THINKING OUT LOUD ABOUT
KEEPING ECONOMY ON WAR FOOTING FOR IMMEDIATE FUTURE,
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEL AV 08848 011421Z

FREEZING WAGES, AND GENERALLY MAINTAINING HIGH MORALE,

ENTHUSIASM, AND PRODUCTIVITY GENERATED BY WAR. MANUFACTURES, HISTADRUT AND GOVT ON VERGE OF AGREEING TO TRIPARTITE COMMITTEE ON POST WAR PLANNING. END SUMMARY.

2. ISRAELI ECONOMIC POLICY MAKERS CONTINUE TO DEVOTE PRIMARY ATTENTION TO CURRENT OPERATION OF ECONOMY. CIVILIAN ECONOMY SEEMS TO BE GOING ALONG AT ABOUT THE PACE OF THE LAST TWO WEEKS. WE HEAR STORIES OF SOLDIERS WHO COME HOME ASNIGH FROM THEIR DUTIES AND PERFORM PART-TIME CIVILIAN JOBS IN THE EARLY MORNING BEOFRE GOING BACK. THE EMBASSY'S SNACKBAR COUNTER MAN SPENT PART OF HIS TWO-DAY LEAVE FROM HIS CIVIL DEFENSE UNIT SLINGING HASH FOR US AS USUAL.

3. PETROLEUM PRICES WERE RAISED 40 PERCENT OCT 29 IN MOVE PUBLICLY RELATED TO INCREASE IN WORLD PRICES. ELECTRICITY PRICES ARE TO GO UP 30 PERCENT ON SAME GROUNDS. WE THINK THIS PUBLIC STANCE IS PROBABLY QUITE HONEST AND THAT PRICE RISES NOT PRICIPALLY PLANNED AS RATIONING DEVICE.

4. TANKERS ARE NOT ARRIVING FROM IRAN DUE TO BAB-EL-MANDAB BLOCKADE AND STATUS OF SHIPMENTS FROM SINAI FIELDS AT ABU RUDEIS IS UNCERTAIN AFTER SMALL TANKER HIT MINE LAST WEEK. HOWEVER, SUPPLIES STILL APPEAR NOT TO BE WORRISOME.

5. BAB-EL-MANDAB BLOCKADE ALSO CAUSING SUBSTANTIAL BUILD-UP OF ISRAELI EXPORTS FOR EAST AFRICA AND ASIA. ANNUAL VOLUME OF EXPORTS FROM EILAT IS \$80 MILLION, AND GOI IS ADDRESSING ITSELF TO TRANSHIPMENTS, TO REASSURING CUSTOMERS AND COMPENSATING EXPORTERS WHO ARE RUNNING SHORT OF WORKING CAPITAL AS EXPORT SALES NOT BEING CONSUMMATED.

6. MINISTERIAL ECONOMIC COMMITTEE CONSIDERED OCT 29 PRIORITIES FOR KEEPING ECONOMY AS CLOSE TO NORMAL AS POSSIBLE DURING CURRENT EMERGENCY. PRIORITITES INCLUDE PRESERVING EXISTING EXPORT MARKETS, COMPLETION HOUSING FOR HIGH PRIORITY GROUPS, FINDING NEW SOURCES OF FINANCING FOR WAR EFFORT, RETURN OF KEY WORKERS FROM MILITARY SERVICE, ESTABLISHING NEW INDUSTRIES THAT WAR HAS PROVED CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEL AV 08848 011421Z

ISRAEL NEEDS.

7. PLANS TO IMPORT UP TO 2500 HEAVY TRUCKS CONTINUE. REPORTEDLY MOST HAVE BEEN ORDERED AND DELIVERY EXPECTED IN ONE TO TWO MONTS. WE UNDERSTAND FORD SELLING SEVERAL HUNDRED FROM ITS UK PLANT. TRUCKS ARE TO BE CONTROLLED BY EMERGENCY CIVILIAN PLANNING ORGANIZATION AND RELEASED TO PRIVATE BUYERS LATER. TRANSPORT MINISTRY ALSO STILL

ACTIVELY PURSUING PLAN TO RENT TRUCKS AND THEIR DRIVERS ABROAD TO MEET CURRENT CRITICAL SHORTAGE IN THE CIVILIAN ECONOMY. WAREHOUSES AT PORTS BEGINING TO BE CLOGGED AS SHORTAGE OF INTERNAL TRANSPORT SLOWS DELIVERIES.

8. THERE ARE SOME LIQUIDITY PROBLEMS SINCE MOBILIZED SOLDIERS ARE EXCUSED FROM PAYING BILLS UNTIL 30 DAYS AFTER DEMOBILIZATION, SOME CIVILIANS ARE NEGLECTING TO PAY THEIR BILLS, OTHERS HAVE WITHDRAWN BANK ACCOUNTS TO HAVE CASH READY IF NEEDED AND SOME CASH HAS GONE INTO VOLUNTARY LOAN DRIVE.

9. TOURISM CONTINUES TO LANGUISH, HOTELS REPORTEDLY ARE ONLY 25 PERCENT OCCUPIED. HOWEVER, SOME TOUR GROUPS ARE BEGINNING TO ARRIVE AND RESUMPTION OF FLIGHTS BY NON-ISRAELI AIRLINES IS EXPECTED TO BRING MORE TOURISTS IN.

10. REPORTEDLY, 180,000 VOLUNTEERS AND WORKERS IN NON-ESSENTIAL INDUSTRIES HAVE MOVED INTO HIGH-PRIORITY JOBS SINCE WAR BEGAN. MEAVWHILE, THERE IS SOME UEMPLOYMENT AS SOME FACTORIES UNABLE TO OPERATE AT FULL CAPACITY DUE TO LACK OF EKY WORKERS; SOME SMALL WORKSHOPS EMPLOYING ONLY A FEW PERSONS ARE BADLY HIT.

11. MEANWHILE, A FEW POLICY MAKERS ARE BEGINNING TO LOOK TOWARD THE FUTURE. MINISTER OF COMMUNICATIONS AND OF TRANSPORT PERES, WHO HAS A PENCHANT FOR TECHNOCRATIC SOLUTIONS, HAS MAD PROPOSALS THAT WOULD INVOLVE KEEPING THE ECONOMY ON A WAR FOOTING
E E E E E E E

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MOBILIZATION, ECONOMIC CONDITIONS, ECONOMIC RECOVERY, EXPORTS, LABOR FORCE, MILITARY BLOCKADES, PORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TELAV08848
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS KEATING
Errors: N/A
Film Number: n/a
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731160/aaaabrzt.tel
Line Count: 140
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 02 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02-Jan-2002 by shawdg>; APPROVED <16-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ISREALI ECONOMY AFTER THREE WEEKS OF MOBILIZATION
TAGS: ECON, IS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005